

Message Text

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ACTION AGRE-00

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 L-03 H-01 /057 W
-----070911Z 100977 /20

R 070816Z JAN 77

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 3177

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E.O. 11652 N/A

TAGS: EAID, EAGR, BG

SUBJ: BDG FOODGRAIN POSITION AND FORECAST: LOW DECEMBER
PROCUREMENT

REF: (A) 76 DACCA 6254, (B) 76 DACCA 6414

1. SUMMARY: THE BDG PROCUREMENT DRIVE OPENED DECEMBER 1 AND 22,000 MT (RICE EQUIVALENT) HAD BEEN PURCHASED THROUGH DECEMBER 31 COMPARED TO 114,000 MT IN DECEMBER 1975. USAID, BY VISITS TO PROCUREMENT AREAS, PLANS TO SEEK CONFIRMATION OF THE FOOD SECRETARY'S EXPLANATION OF THE SLOW START THIS SEASON (LATER HARVEST IN 1976/77; HIGHER QUALITY STANDARDS; AND IMPROVED OPEN MARKET PADDY PRICES). WE CONTINUE TO BELIEVE THAT A VIGOROUS PROCUREMENT DRIVE MUST BE ONE CONDITION OF OUR PROSPECTIVE FY 77 PL-480, TITLE I PROGRAM, AND REQUEST URGENTLY NEGOTIATING INSTRUCTIONS SO WE MAY FORMALLY RAISE THIS ISSUE WITH THE BDG AS THE PROCUREMENT DRIVE CONTINUES OVER NEXT MONTHS. END SUMMARY.

2. REFTELS PROJECTED COMFORTABLE JUNE 30 BDG FOODGRAIN STOCK POSITION ON ASSUMPTION THAT DOMESTIC PROCUREMENT DRIVE WOULD ACHIEVE 500,000 TARGET. THE PROCUREMENT DRIVE
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OPENED DECEMBER FIRST AND ONLY 22,000 TONS (PADDY IN TERMS OF RICE) WERE PROCURED THROUGH DECEMBER 31. THE 1975 PROCUREMENT PERFORMANCE COMPARES WITH THAT IN 1976 AS FOLLOWS:

	TONES OF RICE PROCURED	
MONTH	1975	1976

JULY	3,720	1,254
AUGUST	2,076	736
SEPTEMBER	6,307	671
OCTOBER	26,000 1/	--
NOVEMBER	35,000 1/	11
DECEMBER	113,587	22,000
TOTAL	186,590	24,661

1/ ROUNDED.

THUS, FOR THE FIRST HALD OF THE CROP YEAR, BDG PROCURED ONLY 25,000 TONS IN 1976/77 COMPARED TO 187,000 TONS IN 1975/76. THE BDG TARGET FOR DECEMBER HAD BEEN 75,000 MT; THE TARGET FOR JANUARY, 1977 IS 125,000 MT.

3. FOOD SECRETARY TOLD AMBASSADOR DECEMBER 18 THAT THE AMAN (WINTER RICE) HARVEST WAS LATER THIS YEAR THAN IN 1975 AND THAT THE BDG WAS INSISTING ON HIGHER QUALITY PADDY (I.E., LESS MISOTURE CONTENT, ETC.). ALSO, OPEN MARKET PADDY PRICEXVWERE SUFFICINELTY HIGH IN SOME DISTRICTS (E.G., D DHCA, COMILLA AND SYLHET) TO REDUCE FARMERS' INCENTIVE TO SEEL TO THE BDG, THE SECRETARY SAID. SOME FARMERS MAY BE HOLDING STOCKS IN ANTICIPATION OF A FURTHER RISE IN PRICES, WE BELIEVE.

4. SUAID NOW SPOT-CHECKING THESE ASSERTIONS: IF THE AMAN HARVEST WAS COMPARATIVELY LATE, LOW DECEMBER PROCUREMENT WOULD BE ACCEPTABLE; OR IF THE HARVEST WAS ON TIME, BUT OPEN MARKET PRICES ARE HIGHER THAN BDG FLOOR LIMITED OFFICIAL USE

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PRICES, PROCUREMENT TARGETS MAY BE EFFECTIVELY BEING MET, BY A SHIFT FROM PUBLIC TO PRIVATE SECTOR PROCUREMENT. IF THIS SITUATION OBTAINED WHOLLY OR IN PART, THE DEVELOPMENT OBJECTIVE OF MAINTAINING REMUNERATIVE AGRICULTURAL PRICES WOULDNHAVE BEEN MET. IN SUCH A CASE, IN EVALUATING BDG PERFORMANCE OF THIS PROPOSED PL-480 SELF-HELP MEASURE, MISSION WOULD FACE DIFFICULT ACCOUNTING, BUT NOT SUBSTWTIVE OR CONCEPTUAL PROBLEM. HOWEVER, WHETHER PROCUREMENT IS DOMINATED BY PUBLIC OR BY PRIVATE PURCHASES, THE DRIVE IS CENTRAL TO BDG EFFORTS TO IMPLEMENT ITS MAY, 1976 PLEDGE TO DONORS TO MAINTAIN FOODGRAIN SUPPORT PRICES.

5. UPON COMPLETIONOF SPOT CHECKS, AS WELL AS CONSULTATIONS WITH BANKING COMMUNITY REGARDING EXTENT CREDIT FACILITIES BEING UTILIZED BY PRIVATE GRAIN DEALERS, USAID WILL UPDATE PUBLIC FOODGRAIN STOCK POSITION AND FORECAST THROUGH JUNE 30, 1977 PRESENTED REF A. IF POSSIBLE AND IF CONDITIONS SO INDICATE, MISSION MAY ALSO

ATTEMPT ANALYSIS OF PRIVATE SECTOR STOCKS THROUGH SAME PERIOD WITH VIEW TO PIECING TOGETHER COMPOSITE PICTURE OF PUBLIC AND PRIVATE POSITION BY END-JUNE.

6. MISSION WILL CONTINUE TO EXPRESS ITS VIEW TO BDG THAT VIGOROUS PUBLIC AND/OR PRIVATE PROCUREMENT IS NECESSARY BUT NOT REPEAT NOT SUFFICIENT CONDITION FOR A FY 77 TITLE I AGREEMENT (SEE REF C FOR OUR RECOMMENDED SELF-HELP PROVISIONS). WHILE WE ARE DELIVERING THIS INFORMAL MESSAGE AND PERFORMING ANALYSIS STATED PARA 5 ABOVE, MISSION REQUESTS APPROVAL OF RECOMMENDED FY 77 SELF-HELP PROVISIONS AND INSTRUCTIONS IN ORDER THAT WE MAY INITIATE FORMAL NEGOTIATIONS FOR AN FY 77 PL-480 TITLE I PROGRAM.

7. MISSION SUGGESTS THAT DEPT/AID MAY WISH PASS SUBSTANCE THIS MESSAGE TO IMF IN WASHINGTON IN VIEW OF THE LIMITED OFFICIAL USE

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STRESS ON PROCUREMENT IN THE DRAFT IMF STANDBY AGREEMENT FOR FY 1977.
MASTERS

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Message Attributes

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